

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FRANCHISE GROUP, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 24-12480 (JTD)

(Jointly Administered)

Ref. Docket No. 252

**SUPPLEMENTAL DECLARATION OF JOSHUA KLEIN IN SUPPORT OF
DEBTORS' APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING THE
RETENTION AND EMPLOYMENT OF PETRILLO KLEIN + BOXER LLP
AS SPECIAL COUNSEL TO THE DEBTORS AND DEBTORS IN
POSSESSION EFFECTIVE AS OF THE PETITION DATE**

I, Joshua Klein, pursuant to section 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a partner and co-founder of the law firm of Petrillo Klein + Boxer LLP ("PKB"), which has its principal offices at 655 Third Avenue, New York, New York 10017. I am

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of their U.S. federal tax identification numbers, to the extent applicable, are Franchise Group, Inc. (1876), Freedom VCM Holdings, LLC (1225), Freedom VCM Interco Holdings, Inc. (2436), Freedom Receivables II, LLC (4066), Freedom VCM Receivables, Inc. (0028), Freedom VCM Interco, Inc. (3661), Freedom VCM, Inc. (3091), Franchise Group New Holdco, LLC (0444), American Freight FFO, LLC (5743), Franchise Group Acquisition TM, LLC (3068), Franchise Group Intermediate Holdco, LLC (1587), Franchise Group Intermediate L, LLC (9486), Franchise Group Newco Intermediate AF, LLC (8288), American Freight Group, LLC (2066), American Freight Holdings, LLC (8271), American Freight, LLC (5940), American Freight Management Company, LLC (1215), Franchise Group Intermediate S, LLC (5408), Franchise Group Newco S, LLC (1814), American Freight Franchising, LLC (1353), Home & Appliance Outlet, LLC (n/a), American Freight Outlet Stores, LLC (9573), American Freight Franchisor, LLC (2123), Franchise Group Intermediate B, LLC (7836), Buddy's Newco, LLC (5404), Buddy's Franchising and Licensing LLC (9968), Franchise Group Intermediate V, LLC (5958), Franchise Group Newco V, LLC (9746), Franchise Group Intermediate BHF, LLC (8260); Franchise Group Newco BHF, LLC (4123); Valor Acquisition, LLC (3490), Vitamin Shoppe Industries LLC (3785), Vitamin Shoppe Global, LLC (1168), Vitamin Shoppe Mariner, LLC (6298), Vitamin Shoppe Procurement Services, LLC (8021), Vitamin Shoppe Franchising, LLC (8271), Vitamin Shoppe Florida, LLC (6590), Betancourt Sports Nutrition, LLC (0470), Franchise Group Intermediate PSP, LLC (5965), Franchise Group Newco PSP, LLC (2323), PSP Midco, LLC (6507), Pet Supplies "Plus", LLC (5852), PSP Group, LLC (5944), PSP Service Newco, LLC (6414), WNW Franchising, LLC (9398), WNW Stores, LLC (n/a), PSP Stores, LLC (9049), PSP Franchising, LLC (4978), PSP Subco, LLC (6489), PSP Distribution, LLC (5242), Franchise Group Intermediate SL, LLC (2695), Franchise Group Newco SL, LLC (7697), and Educate, Inc. (5722). The Debtors' headquarters is located at 109 Innovation Court, Suite J, Delaware, Ohio 43015.

a member in good standing of the Bar of the State of New York and am admitted to practice in the United States District Courts for the Southern District of New York, the Eastern District of New York, the Eastern District of Michigan, and the Second Circuit of Appeals.

2. I am duly authorized to make and submit this supplemental declaration (the “Supplemental Declaration”) on behalf of PKB to supplement the disclosures contained in my initial declaration (the “Initial Declaration”), attached as Exhibit B to the *Debtors’ Application for an Order Authorizing the Retention and Employment of Petrillo Klein + Boxer LLP as Special Counsel to the Debtors and Debtors in Possession Effective as of the Petition Date* [Docket No. 252] (the “Application”).²

3. By this Supplemental Declaration, I am further supplementing the statements set forth in the Initial Declaration to provide additional disclosure requested by the U.S. Trustee in connection with the retention of PKB by the Debtors.

4. As a supplement to the matters disclosed in my Initial Declaration and in further support of the Application, PKB hereby discloses the following:

a. As disclosed in paragraph 14 of the Application, PKB was initially retained by the Debtors to investigate whether Franchise Group, Inc. or any of its directors (including Andrew Laurence and Bryant Riley who authorized PKB’s initial engagement), officers, or employees at the time (aside from Mr. Kahn) were involved in, or had any knowledge of, certain securities fraud allegations involving Prophecy Asset Management LP and FRG’s then-Chief Executive Officer, Brian Kahn.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Application.

b. In October 2024, after the conclusion of its initial investigation, PKB was separately retained by an independent committee of the Debtors' board of directors comprising Todd Arden, John Hartmann, and Christopher P. Meyer (collectively, the "Independent Directors") to, among other things, (a) undertake a review of (i) the Company's sale of W.S. Badcock Corporation to Conn's Inc., (ii) the management-led acquisition of the Company in August 2023, (iii) the August 2023 receivables financing transaction involving B. Riley Financial, Inc. and B. Riley Receivables II, LLC, and any other related party transaction involving B. Riley, (iv) the Company's transactions and relationship with its former CEO and controlling shareholder, Brian Kahn, (v) other transactions related to the foregoing or otherwise deemed material by the Select Independent Directors, and (vi) in the case of each of (i) through (iv), contemporaneous evidence of the Company's financial condition; and (b) assist the Independent Directors in evaluating the appropriateness of any releases of the Debtors' directors and officers in a potential chapter 11 filing and plan of reorganization by the Debtors or a potential out-of-court restructuring at the direction of the Independent Directors.

c. Following PKB's engagement, PKB has learned that the Debtors have retained an independent director for certain of the Debtors who will investigate certain claims and causes of action that such Debtors may have against various other Debtors and other parties in interest (the "Holdco Debtors' Investigation"). PKB understands that while the substance and scope of the Holdco Debtors' Investigation may overlap with PKB's investigation, as detailed above and in the Engagement Agreement, and such investigation is being performed independently of PKB, PKB will work with the Debtors and the Debtors' professionals to avoid unnecessary duplication of services and to coordinate with the Debtors to achieve efficiencies with respect to the investigations, to the greatest extent possible under the circumstances.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 16, 2024

/s/ Joshua Klein

Joshua Klein

as partner of Petrillo Klein + Boxer LLP